

MUDGE ROSE GUTHRIE ALEXANDER & FERDON

180 MAIDEN LANE
NEW YORK, N. Y. 10038

212-510-7000

CABLE ADDRESS: BALTUCHINS-NEW YORK
TELEX: WU 703720; WU 127600
TELECOPIER: 212-510-7024

N. J. KIRBY, JR.
PARTNER
ST DIAL NUMBER
12) 510-7122

2121 K STREET, N.W.
WASHINGTON, D.C. 200
202-428-9395
SUITE 2020
333 SOUTH GRAND AVENUE
LOS ANGELES, CALIF. 90
213-613-1112
18, RUE DE LA PAIX
75002 PARIS, FRANCE
261-57-71

March 22, 1985

Honorable Robert W. Sweet
United States District Judge
United States District Court
Southern District of New York
Foley Square
New York, New York 10007

Re: Universal City Studios, Inc. v.
Nintendo Co. Ltd. and Nintendo of
America, Inc., 82 Civ. 4259 (RWS)

Dear Judge Sweet:

We have been advised by Mr. Sacco that this case will be on the ready calendar for April 29 unless this creates a substantial problem for witnesses to be called by either side. I have deferred contacting our witnesses because I believe the supplemental trial memorandum filed by Universal last week raises a significant issue which the Court may wish to address prior to fixing a date for the trial.

After this Court granted summary judgment against Universal on its complaint, Coleco Industries Inc. filed a complaint on April 12, 1984 against Universal which it designated a related case to the Universal/Nintendo litigation. In its complaint, Coleco alleged that its license agreement with Universal for Donkey Kong had been secured by fraud, duress, or mutual mistake. Coleco did not at that time seek to intervene in the already pending litigation before Your Honor, and has at no point suggested that the cases be consolidated. Universal has also never suggested that the cases be consolidated, and I believe that Universal does not feel that they should be consolidated. However, Universal has now implicitly raised the suggestion in its trial memorandum that Coleco may be a necessary party to this litigation under FRCP 19 by raising the notion that there may be competing claims against Universal for the royalties it received from the marketing of Donkey Kong.

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Nintendo's position is that it has the right to recover in equity from Universal for Universal's usurpation of Nintendo's exclusive right to license Donkey Kong, and it has the right to recover damages against Universal for its tortious interference with Nintendo's licensing program. I believe that the trial of Nintendo's claims against Universal can proceed without Coleco's presence, and, as Your Honor knows, we are anxious to have this matter tried as soon as possible. At the same time, I feel it necessary to call to the Court's attention the apparent suggestion by Universal in its supplemental trial brief that these related cases might require consolidations or multiple liabilities because of Coleco's apparent interest in the subject matter of the litigation.

This, of course, puts us in a strange position. Neither Coleco nor Universal has urged consolidation and may indeed be opposed to it. We, for practical reasons involving potential delay, are not enamored with the notion of consolidation. It is clear, however, that a number of the Coleco and Universal witnesses would be the same at both trials. If, therefore, Your Honor should decide to consolidate the cases, Nintendo would not object. However, in view of the fact that both Coleco's case and this case have been pending for some time and there has been a sharing of the fruits of discovery among parties to the two cases, we would urge that the present trial date be adhered to if at all possible.

Other Issues in Universal's Trial Brief

We do not intend, unless Your Honor instructs otherwise, to file a brief at this time in response to the few new legal issues raised by Universal -- most specifically the alleged preemption of Nintendo's misappropriation claim by section 301 of the Copyright Act and the timeliness of Nintendo's request for attorney's fees under the Trademark Act. Suffice it to say here that Universal's preemption argument with its attempt to undermine and distinguish the Supreme Court's landmark decision in International News Service on the basis that it is 60 years old is frivolous. Further with respect to Universal's preemption argument, Nintendo's claims for misappropriation of Nintendo's trademark and other rights in Donkey Kong and for Universal's unjust enrichment are clearly not claims to vindicate rights "equivalent to the exclusive rights within the general scope of copyright" within the preemptive meaning of section 301 as were the claims in the cases cited by Universal.

With respect to Universal's argument that the time limitations of FRCP 59(e) are relevant to the fee provisions of 15 U.S.C. § 1117, Universal claims to rely on the "only case of which [it] is aware", from the Seventh Circuit, Hairline Creations Inc. v. Kefalas, 664 F.2d 652, 658 (7th Cir. 1981), without advising

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the Court that the Seventh Circuit itself has clearly indicated that Hairline is no longer good law in view of the Supreme Court's decision in White v. New Hampshire Dept. of Employment Security, 455 U.S. 445 (1982). See Bittner v. Sadoff & Rudoy Industries, 728 F.2d 820, 827-28 (7th Cir. 1984). Further, Judge Weinfeld's opinion in this circuit in Tedeschi v. Smith Barney, Harris Upham & Co., Inc., 579 F.Supp. 657 (S.D.N.Y. 1984) quoted the Supreme Court's opinion in White and concluded:

The application for fees "raises legal issues collateral to the main cause of action - the issues to which Rule 59(e) was never intended to apply."

579 F.Supp. at 660. In any event, these arguments and the other legal points raised by Universal will be fully addressed in Nintendo's post-trial brief unless Your Honor desires Nintendo to submit a reply brief now.

Respectfully,

John J. Kirby, Jr.

cc: Douglas C. Fairhurst, Esq.
Counsel for Universal City Studios, Inc.
Richard C. Seltzer, Esq.
Counsel for Coleco Industries, Inc.

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